

**Central Economic
Development Agency Limited
(CEDA)**

Annual Report

for the 9 months ended 30 June 2016

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Company Directory

Central Economic Development Agency Limited

Directors

As at 30 June 2016

Malcolm Bailey (Chair)

Shamubeel Eaquab

John Fowke

Lucy Griffiths

Blair O'Keefe

All directors were appointed on 18 December 2015

Management

William Samuel Chief Executive (from 11 July 2016)

Registered Office

Palmerston North City Council

32 The Square

Palmerston North

Bankers

Westpac New Zealand Ltd

Auditors

Audit New Zealand (on behalf of Auditor-General)



The Chair and Chief Executive Officer's joint report for the 9 months ended 30 June 2016

The past six months

The principal objective of the Central Economic Development Agency (CEDA) is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

CEDA came into existence in September 2015, with the current Board assuming control from the Interim Directors in December 2015 and first meeting on 26 January 2016. As outlined in our 2015/16 Statement of Intent, the focus since that time has been laying the platform for CEDA through:

- Recruitment and appointment of a Chief Executive (appointed in May 2016, started in July 2016).
- Developing a deeper understanding of current economic development along with engagement with shareholders, community and stakeholders.
- Working with existing organisations (Destination Manawatu and Vision Manawatu) to prepare the transition of services or contracts to CEDA (completed August 2016).

The Future

The coming year will see CEDA transition from an organisation that has just been created to one that develops a focused strategy for the future.

This strategy will be guided by market research so we can understand how we can make the most difference through our activities and resourcing. The outcome will be a fully developed Statement of Intent for the 2017/18 year.

In the interim we will continue "business as usual" activities, refocus as required and deliver some new initiatives.

We look forward to working with our shareholders, partner organisations and the business community to build the platform for a strong and resilient regional economy in the long term.

Malcolm Bailey
Chair

Will Samuel
Chief Executive Officer



Corporate Report for the year ended 30 June 2016

Ownership

Central Economic Development Agency Limited ("CEDA") was incorporated in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). As the shareholders of CDEA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

CEDA's Mission and Principal Activities

The primary objective of CEDA is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

CEDA's principal activities during the part year to 30 June 2016 were to recruit a Chief Executive and to research the activities of the Vision Manawatu and Destination Manawatu Inc. as part of the establishment process to enable CEDA to deliver economic development and tourism services from 1 September 2016.

Company's Affairs

The Directors regard the state of the Company's affairs to be satisfactory. Details of the part year under review are included in the Joint Report of the Chair and Chief Executive Officer and the statutory financial statements of the Company published herewith.

Directors

Interim directors Patrick Clifford and Lorraine Vincent resigned on 18 December 2015 when the five new directors were formally appointed.

Director's remuneration

Shareholders authorised payment of \$155,000 per annum for directors' fees. The amount of \$83,020 was paid, or due and payable, to members of the Board for the part year to 30 June 2016 as follows:

	Gross Amount
Malcolm Bailey	29,460
Shamubeel Equb	13,390
John Fowke	13,390
Lucy Griffiths	13,390
Blair O'Keeffe	<u>13,390</u>
	83,020

No other remuneration or benefits other than re-imbusement of expenses has been paid or given to the directors.

Directors' indemnity and insurance

The Company is responsible for the payment of directors' indemnity insurance premiums.

Use of company information by directors

There were no notices from directors of the Company requesting to use Company information received in their capacity as directors that would not otherwise have been available to them.

Shareholding by directors

During the year there were no shareholding transactions involving directors.

Directors' interests

During the course of the year to 30 June 2016, directors declared interest in the following entities:

	Interest	Nature of Interest	Relationship to CEDA
M G Bailey	Director/shareholder Director/shareholder Director/shareholder Director Director Director/shareholder Director/shareholder Director/shareholder Director/shareholder Director/shareholder Director/shareholder Director/shareholder Chairman Chairman Executive member Trustee Trustee Shareholder Shareholder	Bailey Agriculture Ltd Bailey Family Properties Ltd Embryo Technologies Ltd Westpac NZ Ltd Red Meat Profit Partnership Ltd Fonterra Co-operative Group Ltd Fonterra Farmer Custodian Ltd Hopkins Farming Group Ltd Gleneig Holdings Ltd Etech NZ Ltd BBD Industrial Properties Ltd RMI NZ Ltd Dairy Companies Association NZ NZ International Business forum NZ US Council Bailey Trust Bailey Family Trust AGInvest Holdings Ltd Nutrimix NZ Ltd Justice of the Peace	None None None Supplier None None None None None None None None None None None None None None None None None
S Equb	Advisory Board member Advisory Board member Advisory Board member Consultant	ADC Inc - microfinance charity Auckland Radiology Group NewGround Capital Equb & Equb Ltd	None None None Boutique consultancy, sometimes involved in economic development and matters of regional development
J L Fowke	Consultant	Toyota New Zealand Ltd, Legal Counsel, Motorsport Ambassador	None

	Chair & Trustee	Te Manawa Museum and Art Gallery	Council controlled organisation and Manawatu cultural facility
	Chair & Trustee	Manawatu Community Law Centre	None
	Trustee/Director	MASH Trust (provider of services to people suffering from intellectual and physical disabilities and dependencies)	None
	Trustee	Vision Manawatu	Body to be disbanded when CEDA becomes fully operational
	Chair & Trustee	Special Olympics New Zealand Foundation	None
	Justice of the Peace		None
L M J Griffiths	Director Trustee (Deputy Chair) Independent Director	Trust House Masterton Licensing Trust Telfer Properties Martinborough Ltd trading as Brackenridge	None None None
	Director Owner/Director Married to Simon Griffiths Owner/Director	Mirrabooka Ltd Innov8 Aotearoa Ltd Technology Solutions Ltd	None None Have done limited consultancy work in the Manawatu with a few clients None
B A O'Keeffe	Director Managing Director Member Steering Committee	Maritime New Zealand Endzone Commercial Limited Business Leaders Health & Safety Forum	None None None

All directors are indemnified under the Directors and Officers Liability Insurance policy.

Details of related party transactions made during the year are shown in note 9 of the Notes to the Financial Statements.

Remuneration of employees

As at 30 June 2016 CEDA had no employees, who are not directors.

Auditors

As provided by section 70 of the Local Government Act 2002, Audit New Zealand, on behalf of the Auditor-General, is hereby re-appointed as auditor of the Company. Auditor's remuneration of \$8,170 (GST exclusive) for the 2016 annual audit is reflected in the financial statements as due and payable.



Statement of Service Performance for the year ended 30 June 2016

CEDA's Statement of Intent (SOI) against which performance is judged is dated 10 June 2016. As CEDA's Directors were appointed in December 2015, it did not meet the legislative requirement to prepare and submit a draft SOI to shareholders for 2015/16 by 1 March 2015. However the final SOI was adopted and presented to shareholders before 30 June 2016. The draft SOI for 2016/17 was not submitted to shareholders by 1 March 2016 but the final SOI was adopted before 30 June 2016.

CEDA's mission is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

The key objective for the 2015/16 year was to put in place the necessary infrastructure to establish CEDA. The SOI for 2015/16 outlined the initial development phase would focus on four areas:

Performance Measure	Status	Commentary
CEO recruitment	Achieved	Appointed in May 2016 and started in July 2016 (post balance date)
Developing a deep understanding of current economic development in Palmerston North and Manawatu	Achieved	Presentations received from: <ul style="list-style-type: none"> • Vision Manawatu • Destination Manawatu • Feilding Promotion • Spearhead Manawatu • Accelerate25 • Chamber of Commerce • BCC (Building Clever Companies) • Food HQ
Community and stakeholder engagement	Achieved	
Dialogue with Vision Manawatu and Destination Manawatu to ensure continuity of existing services.	Achieved	Dialogue occurred in 2015/16 to enable the organisations to be transitioned into CEDA in September 2016 (post balance date)

A Letter of Expectations was received from Palmerston North City Council and Manawatu District Council and it set out the broad framework for the establishment phase including their expectations of:

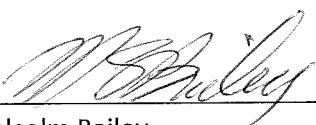
- Continuing to work with Vision Manawatu and Destination Manawatu Boards to transition any contracts, services, assets, intellectual property and sector knowledge
- Establishing relationships for sub-contracting services to Spearhead and Building Clever Companies (BCC)
- Appointment of a CEO.

Directors were appointed by the shareholders effective from 18 December 2015. The Board recruited a Chief Executive, Will Samuel, who has commenced since balance date on 11 July.



Central Economic Development Agency Limited
Statement of Comprehensive Revenue & Expense
for the 9 months ended 30 June 2016

	Notes	Actual
Revenue		
Council funding	2	148,000
Interest, dividends and other investment revenue		640
Other revenue		
Total revenue		148,640
Expenses		
Directors' fees		83,020
Other expenses	3	86,651
Total expenses		169,671
Surplus/(deficit) before tax		(21,031)
Income tax expense		
Surplus/(deficit) after tax		(21,031)
Other comprehensive revenue and expense		0
Total comprehensive revenue and expense		(21,031)



Malcolm Bailey
Chair

Date: 27 SEPTEMBER 2016



John Fowke
Director

Date: 27 September 2016

The accompanying notes form part of these financial statements

Central Economic Development Agency Limited
Statement of Financial Position as at 30 June 2016

	Notes	Actual
Assets		
Current assets		
Cash and cash equivalents	5	1,870
Prepayments		1,003
Receivables	6	3,062
Total current assets		5,935
Total assets		5,935
Liabilities		
Current liabilities		
Payables and deferred revenue	7	25,966
Total current liabilities		25,966
Total liabilities		25,966
Net assets (assets less liabilities)		(20,031)
Company capital		
Contributed capital		1,000
Accumulated deficits		(21,031)
Total equity	8	(20,031)

Central Economic Development Agency Limited
Statement of Changes in Equity for the 9 months ended 30 June 2016

	Notes	Actual
Balance at 1 July		0
Contributed capital for the year		1,000
Total comprehensive revenue and expense for the year		(21,031)
Balance at 30 June		(20,031)
<i>Total comprehensive revenue and expense attributable to:</i>		
Palmerston North City Council		(10,516)
Manawatu District Council		(10,516)
Total comprehensive revenue and expense		(21,031)

The accompanying notes form part of these financial statements

Central Economic Development Agency Limited
Statement of Cash Flows for the 9 months ended 30 June 2016

	Notes	Actual
Cash flows from operating activities		
Receipts of council funding		148,000
Interest, dividends and other investment receipts		461
Payments to suppliers and employees		(144,709)
GST (net)		(2,882)
Net cash flow from operating activities		870
Cash flows from investing and financing activities		
Proceeds from capital contributions		1,000
Net cash flow from investing and financing activities		1,000
Net increase/(decrease) in cash and cash equivalents for the year		1,870
Cash, cash equivalents and bank overdraft at beginning of the year		0
Cash, cash equivalents and bank overdraft at end of the year		1,870

The accompanying notes form part of these financial statements

1. Statement of Accounting Policies

REPORTING ENTITY

Central Economic Development Agency Limited ("CEDA") was incorporated in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). As the shareholders of CEDA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

CEDA has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of CEDA are for the part year ended 30 June 2016. The financial statements were authorised for issue on 27 September 2016.

BASIS OF PREPARATION

The financial statements are prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of CEDA have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAPP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The financial statements have been prepared on the basis that CEDA is a going concern. CEDA incurred a loss in its first nine months of operation of \$21,030 due to the need to incur establishment costs and the mis-timing of funding from the shareholders to cover this. The directors are of the opinion that CEDA will produce a profit going forward. In addition, the shareholders (Palmerston North City Council and Manawatu District Council) have provided formal letters of support to CEDA in its endeavour to maintain financial viability. As a consequence the directors are of the opinion that it is appropriate to prepare the financial statements on the basis CEDA is a going concern.

CEDA is eligible and has elected to report in accordance with Tier 2 PBE standards on the basis it has no public accountability and in the following year is expected to have expenses > \$2m and < \$30m.

These financial statements comply with PBE standards and are the first statements prepared in accordance with them.

Presentational currency

These financial statements are prepared in New Zealand dollars.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at fair value and the specific accounting policies for significant revenue items are explained below:

Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Interest revenue

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest method.

Income tax

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Other financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables

Impairment is established when there is evidence CEDA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits or bonds are recognised directly against the instrument's carrying amount.

Payables

Short-term creditors and other payables are recorded at their face value.

Equity

Equity is the shareholders' interest in CEDA and is measured as the difference between total assets and total liabilities.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.



2 Council Funding

	2016
Palmerston North City Council	74,000
Manawatu District Council	74,000
Total Council Funding	148,000

3 Other expenses

	2016
Fees to Audit New Zealand for the audit of the financial statements	8,170
Consultants and legal fees	68,829
Other operating expenses	9,652
Total other expenses	86,651

4 Tax

	2016
<i>Components of tax expense</i>	
Current year	0
Adjustments to current tax in prior years	0
Deferred tax	0
Tax expense	0
<i>Relationship between tax expense and accounting surplus/(deficit)</i>	
Net surplus/(deficit) before tax	(21,031)
Tax at 28%	(5,889)
Plus/(less) tax effects of:	
- non-taxable revenue	0
- non-deductible expenses	0
- unused tax losses	5,889
Tax expense	0

Deferred tax asset not recognised of \$5,889

5 Cash and cash equivalents

	2016
Cash at bank or on hand	1,870
Total cash and cash equivalents	1,870

6 Receivables

	2016
Gross receivables	3,062
Provision for impairment	0
Total receivables	3,062
Total receivables comprise:	
Receivables from non-exchange transactions (GST & income taxes receivable)	3,062
Receivables from exchange transactions	0

7 Payables

2016

Payables under exchange transactions

Trade payables and accrued expenses 25,966

Payables under non-exchange transactions

Income tax payable 0

Other taxes payable (eg GST and FBT) 0

Total payables 25,966

Payables are generally non-interest bearing and are normally settled on 30 day terms. Therefore the carrying value of payables approximates their fair value.

8 Equity

2016

Contributed capital

Balance at 1 July 0

Capital contribution 1,000

Balance at 30 June 1,000

Accumulated surpluses

Balance at 1 July 0

Surplus/(deficit) for the year (21,031)

Balance at 30 June (21,031)

Total equity (20,031)

9 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal client/recipient relationship on terms and condition no more or less favourable than those it is reasonable to expect CEDA would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures required to be made

During the period CEDA received funding from the shareholders (Palmerston North City Council and Manawatu District Council) to cover establishment costs (see note 2)

Key personnel compensation

2016

Directors

Remuneration 83,020

Full-time equivalent members 5

Due to the difficulty in determining the full-time equivalent for directors, the full-time equivalent figure is taken as the number of directors.

10 Events after balance date

On 11 July 2016 CEDA's Chief Executive Officer commenced his employment.

On 28 August 2016 CEDA entered sale and purchase agreements with Vision Manawatu and Destination Manawatu Inc for the purchase of their business operations. Under the arrangements CEDA obtained the assets at book value and the amount involved was forgiven by a Deed of Grant to CEDA from each entity.

From 1 September 2016 CEDA assumed all of the staff of Vision Manawatu and Destination Manawatu Inc.

11 Financial Instruments

The accounting policies for financial instruments have been applied to the items below:

	2016
<i>Financial Assets</i>	
Loans and receivables	
Cash and cash equivalents	1,870
Receivables	3,061
<i>Financial Liabilities</i>	
Financial Liabilities at amortised cost	
Payables	25,966

